

#### FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

June 8, 2001

AUDIT REFERRAL # 1

#### **MEMORANDUM**

To:

Lois G. Lerner

Acting General Counsel

Through:

James A. Pehrkon

Staff Director

From:

Robert J. Costa

Assistant Staff Director

**Audit Division** 

Joe Stoltz

Deputy Ass Staff Director

Russ Bruner

Audit Manager

Rhonda Simmons

Lead Auditor

Subject:

Bill Bradley for President, Inc. - Referral based on Review of

Contributions Related to Partnerships Affiliated with Kushner Companies

The matter discussed below is being referred to your office for possible compliance action. These matters were initially brought to your attention in the form of an audit inquiry discussion and subsequent email, dated April 19, 2001. Your office responded to this inquiry by email dated April 26, 2001 (Attachment 1). In brief, your response concludes that the Audit Division should refer this issue to the Office of General Counsel for further examination to be handled in the enforcement context.

#### Background

During the review of contributions to Bill Bradley for President, Inc. (BBFP) the Audit Staff noted a significant number of contributions that appear to be related to the business interests of Mr. Charles Kushner. Mr. Kushner is the Chairman of the Kushner

Companies<sup>1</sup>, which according to the Company's Website, is one of the largest privately held real estate organizations in the Northeast. The Kushner Companies owns and manages apartment units, in addition to office, industrial and retail space. The properties are located in New Jersey, New York, Connecticut, Pennsylvania, Maryland, Delaware, Boston and Florida.

The Audit staff identified 40 business checks from contributors. The checks total \$40,000. All but one check was written on June 16, 1999<sup>2</sup>. Except in two instances, the checks are attributed to different individuals. There are two \$1,000 checks attributed to Seth Kaplowitz and Esther Schulder, resulting in excessive contributions. BBFP issued refund checks to these contributors, but to date neither of the checks have cleared. For 32 of the 39 contributors, the only address listed is that of the Kushner Companies headquarters.

The Audit staff would like to note the following items of interest:

First, all the checks were apparently signed by Charles Kushner. Although the signature is not completely clear on the checks, a review of the Kushner Companies Website at <a href="http://www.kushnercompanifres.com/index.html">http://www.kushnercompanifres.com/index.html</a> has provided an example of Mr. Kushner's signature. It is very similar to the signature on the 40 checks (Attachment 2). BBFP has the signatures of only four of the contributors in its files. Those are on follow-up letters sent for matching fund purposes (see below).

Second, with the exception of one check, each check has the name of a corporation printed on its face, in addition to the name of the contributing partnership.

Finally, all but three checks appear to have been printed at the same time as indicated by a typographical error in the spelling of Betty Sapoch's (fundraiser) name in the memo area. Little or none of the information on the checks appears to have been preprinted. The accountholder's name, the bank routing numbers, etc., all appear to be printed in the same type as the payee and amount information. All of the checks are drawn on different accounts held at two different banks. One of the two banks is part of the Kushner group of businesses.

During fieldwork the Audit staff inquired if Assistant Treasurer Peter Nichols had questioned these contributions. He stated that he had questioned them and had sent follow-up letters to attempt to determine the eligibility of these contributions for Matching Fund purposes. Only four letters were returned.

Excessive contributions in the amount of \$18,000 from partnerships associated with the Kushner Companies were noted during the Shumer '98 audit.

One check (#3396 drawn on the Valley National Bank) was written on June 17, 1999, one day later than the remaining 39 checks.

As mentioned in the response to the audit query, the Office of General Counsel has copies of these letters. In addition, due to questions posed by the Audit staff, Peter Nichols was in contact with Scott Zecher, Chief Operating Officer of the Kushner Companies, who assured him that the checks represented funds from individual partners of the partnerships that were affiliated with the Kushner Companies.

In response to Mr. Nichols' question about the corporate entities noted on the face of most of the checks, in a fax dated February 13, 2001 (Attachment 3), Mr. Zecher noted that "such funds are drawn solely on the funds of the entities named in the upper left hand corner of the check, which funds shall be deducted only from the profits of the individual partner/member to whom the contribution is to be allocated as listed on the schedule."

On February 22, 2001 Mr. Zecher also provided a copy of a letter dated of June 17, 1999 (Attachment 4), that addresses the issue of the corporate general partner/managing agent's name being listed above the signature block. Mr. Nichols told the Audit staff that Mr. Zecher stated that the Kushner Companies is now sending the letter with its partnership contributions. The letter explains that the corporations are in many cases managing partners in the various partnerships and not the contributors.

Given that we have not been able to verify that the named contributors are indeed partners in these businesses, the lack of response to the BBFP's efforts to obtain additional documentation, and the inability to determine if the contributions are charged to a particular person's interest in the business, it has been our opinion that direct contact with the contributors appears to be the best way to resolve these questions<sup>3</sup>. The Audit staff worked with Charles Hume from your office to attempt to determine residential addresses of individual contributors. The contributors could be asked to verify that they are in fact partners in the respective associated partnership, that their share of partnership earnings was charge for the contributions, that they knowingly made the contribution, and that no adjustment to their share of the earnings was made to compensate them for the contribution.

Subsequent to response to the Audit Query, the Bradley campaign contacted the Kushner Companies and arranged a conference call between members of the Audit staff, a staff attorney and Mr. Paul Josephson Esq. (outside counsel for Kushner Companies). Mr. Josephson stated that his client may be willing to send a letter to the various contributors to clear up the issue of donative intent and how the contribution was charged to the contributor's account in the various partnerships. A draft of that letter was submitted for our review (Attachment No. 5). It is our understanding that your office now believes that the draft letter should be the subject of Commission approval. This development confirms our original decision that this issue has moved beyond the normal scope of our audit procedures and should be continued in the compliance arena.

The Audit staff attempted to verify this information through Dunn and Bradstreet and the Secretary of State of New Jersey. No useful information was obtained.

Finally, information has come to our attention suggesting that several campaigns and the Democratic National Committee have been the recipient of similar contributions from the Kushner Companies. The Internet Site <a href="http://www.fecinfo.com/">http://www.fecinfo.com/</a> contains an article (Attachment No. 6) concerning the amounts that the Kushner Companies and its partnerships, and individuals connected to Charles J. Kushner have donated to various candidates and the DNC (According to the article the Kushner Companies bundled over \$1 million to federal candidates and the DNC in 1999-2000). The extent of the money involved in this matter and the number of committees receiving the contributions are additional indications that an expedited referral to your office is the appropriate course of action.

The Audit Staff is available to provide assistance or answer any questions you may have regarding these findings. Please contact Rhonda Simmons, Russell Bruner or Joe Stoltz.

Attachment No. 1 - Copy of Bradley Audit Query

Attachment No. 2 – Copy of Internet Website page – Message from the Chairman – signature

Attachment No. 3 - Copy of 2/13/2001 Fax - Scott Zecher

Attachment No. 4 - Copy of 2/22/2001 Fax - Scott Zecher

Attachment No. 5 - Copy of Proposed Kushner Partnership Letter

Attachment No. 6 - Copy of Fecinfo.com Website

The Company

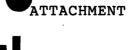
Our Properties

News Releases

Affiliated Businesses

Contact Info

Home Page





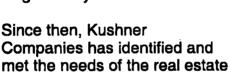
## The Company



# K 8-1 #2

## Message from the Chairman

When my father, a Holocaust survivor, arrived in the United States following World War II, he established a successful business in response to the explosive demand from the nation's families for quality built, single-family homes.





marketplace. Today we are one of the largest privately-held real estate companies in the United States, and are extremely proud of the track record we have achieved.

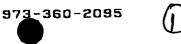
With an established and diversified real estate portfolio which includes more than 20,000 apartment units, and the full range of other property types - residential, office, industrial and retail - we are well positioned to continue our growth nationally.

Adding to our in-house real estate capabilities, Kushner Companies has expanded and diversified into other arenas, including insurance, financial services, technology and banking. Each provides us the resources, in-house services, synergies and opportunities that complement our core business activities.

Kushner Companies' commitment to its guiding principles and continued focus on the fundamentals remain steadfast: a disciplined approach to steady long-term growth, an adherence to the fundamental tenets of our industry, and an understanding and respect for our markets and their behavior. These principles constitute the framework and foundation upon which we will build our future.

Charles Kushner The Company | Our Properties | News Releases Affillated Businesses | Contact Info | Home Page

ATTACHMENT 3



Kushner Companies

26 Columbia Turnpike Florham Park, NJ 07932 (973) 822-0050 (973) 822-8481 FAX

# Fax

□ Urge	ent	x For Review	☐ Please Commer	nt	□ Please Reply	☐ Please Recycle
Re:			CC	:		
Phone:			Dat	te:	2/13/01	
Fax:	609	430-2973	Pag	ges:	2 (including cover)	
To:	PET	ER NICHOLS	Fro	m:	SCOTT ZECHER	

You may notice that on some of the checks the name of the corporate general partner/managing agent appears above the signature block. Please be advised that such checks are drawn solely on the funds of the entities named in the upper left hand corner of the check, which funds shall be deducted only from the profits of the individual

partner/member to whom the contribution is to be allocated as listed on the schedule.





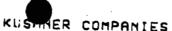
P.

76 Columbia Tumpike Flotham Park, NJ 07932 (973) 822-0050 (973) 822-8481 FAX

**Kushner Companies** 

# Fax

To:	MR. PETER N CHOLS	From:	SCOTT ZECHER  2 (including cover)	
Fax:	609 430-2:173	Pages:		
Phone:		Date:	2/22/01	
Res		cc:		
□ Urge	ent x F ır Revi əw	☐ Please Comment	☐ Please Reply	☐ Please Recycle





26 COLUMBIA TURNPIKE FLORHAM PARK, NEW JERSEY 07932 Telephone: (973) 822-3050 Telefax: (973) 822-8481

26 EAST 64IN STREET NEW YORK, NEW YORK 112021

June 17, 1999

Mr. Peter Nichols Bill Bradley for P esider t, Inc. 395 Pleasant Valley Way West Orange, NJ 07052

Primary Election Contributions Re:

Dear Committee:

I enclose 41 checks in he total amount of \$40,000.00 made payable to the Bill Bradley for President, Inc. along with an allocation schedule. Please make certain that these funds are allocated to the individuals indicated as per the enclosed schedule, and not according to the signers of the checks. In addition, all of the checks for \$40,000.00 are allocated to the primary elect on.

You may notice that on some of the checks the name of the corporate general partner/managing; agent appears above the signature block. Please be advised that such checks are drawn solel , on the funds of the entities named in the upper left hand comer of the check, which funds shall be deducted only from the profits of the individual partner/member to whom the contribution is to be a located as listed on the schedule.

Please verify that all of the scheduled entities and individuals have not exceeded their legal contribution limitations to your committee, and that the allocations are properly reported by your committee. Please contact me if there are any discrepancies or changes that need to be made.

Thank you once again for your cooperation and assistance.

Sincerely,

Chief Operating Officer

S2/tml

Enclosures

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June 4, 2001

[campaign name]
[campaign address]
[campaign city/state]

Re: Contribution of [Member/Partner Name] to [campaign name]

Dear Sir or Madam:

This letter will confirm the following with respect to my contribution to your campaign by way of check drawn on the bank account of [partnership/llc name] dated [check date]:

- 1. I was at the time this contribution was made an equity owner in the above-referenced entity on whose account the check was drawn;
- 2. I acknowledge that I am aware of and consent to the contribution, which was properly attributed to me personally; and
- 3. The managing agent has confirmed for me that my personal capital account has been debited the full amount of the contribution that was attributed to me.

Should you have any questions concerning the foregoing, you are authorized to contact Paul Josephson, Esq., 973-643-5271, counsel to the managing agent for [partnership/llc name] to discuss same.

Thank you for your attention to this matter.

Sincerely,

[partner/member name]



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#### Candidates

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## Leaders

**Donor Name** Lookup **Donor ZIP** Lookup

Employer / Occupation Lookup **Out of State** 

#### **Donors** PACs & **Parties**

PAC / Party **Profiles** 

PAC \$ Leaders

New Corp **PACs** 

Illegal Corp \$

#### 527 Filers

527 Database

#### Foreign Agents

**FARA Database** Help

## Massive NJ **Bundling**

Operation

, NJ.

Companies, partnerships & individuals connected to Charles J. Kushner (Kushner Companies) bundled over \$1 million to federal candidates and the DNC in 1999-00. The scheme involved at least partnerships/companies and 75 individuals/employees in and around Florham Park

The principal recipients were the DNC (\$383K); Com for Working Families CWF (PAC of Mayor McGreevey, Woodbridge, NJ); Mayor Giuliani (\$100K); Hillary Clinton (\$79K); Jon Corzine (\$72K); Sen Bob Torricelli (\$57K); and Al Gore (\$51K).

The employee relationship, timing and bundling of the donations has raised questions about who controlled the money and if the money was laundered with the use of 'straw' donors names. CWF got 18 donations (\$90K) on 5/2/00; Giuliani got 33 donations (\$63K) on 3/31/99, and 35 (\$35K) on 12/29/99; Clinton got 68 (\$68K) on 6/29/00; Torricelli got 18 (\$18K)



والمجارات والمرابط المرازعة المراجعة

Stanley Fulton gives \$250,000 to the RNC in April bringing his 2001 total to \$500,000. In Oct 00, Fulton sold his stock to Anchor Gaming (NASDAQNM: SLOT) for \$213 million. Anchor designs, builds and operates gaming machines and systems.

IRS Sec 527 NOT

amended by Tax

Kay Bailey Hutchison's

amendment did not

conference. It would

exempted some state

and local organizations

have retroactively

requirement to file

from last years

reports.

survive the

Senate/House

bill

### **Subscribers** Only PAC \$ to Comm

Congressional

06/05/01

107th Congress 106th Congress

**Soft Money** 

2001-2002

1999-2000

1997-98

1995-96

1993-94

#### Lobby **Databases**

Mid Year 2000 Year End 1999 Mid Year 1999

Year End

1998 Lobby

Registrations Updated Regularly **Text Search** 

#### **PACtracker**

**PACtracker** 

Subscriber's Login

User:

Pass:

Login

Learn about

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## **Track Coalitions**

Anytime you're in a legislative battle or are covering it, you may find PACtracker a useful intelligence tool. Take the DD21 Missle Ship. Track the, Gold Team (Northrop/Raytheon/Boeing)

as a coalition. Or track the Blue Team (General Dynamics/Lockheed) as a coalition... or track both sets. Follow the money to see 'What Price.."

on 1/22/99, and 38 (\$38K) on 2/19/99; Gore got 33 (\$33K) on 12/30/99 and 25 (\$25K) on 2/10/00; Corzine got 30 (\$30K) on 2/24/00, 18 (\$18K) on 3/6/00 and 12 (\$12K) on 3/31/00.

Six individuals made 20 or more donations, totaling between \$26K -\$60K each.

<u>Download</u> the spreadsheet file. <u>Read</u> additional text.

### **Presidential Profiles**

Bush and Clinton profiles include the obvious and not too obvious money surrounding incumbents. View new personal wealth reports for Bush, including Microsoft stock. Also view Cheney's continuing benefits from Halliburton and Union Pacific





Bush

Clinton

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"Meet the new boss, same as the old boss..." --The Who
What We Do:

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  -- Executive
- Summary of the FEC audit of Schumer '98.



Companies, partnerships and individuals connected to Charles J. Kushner have given over \$1 million (\$1,008,600) to federal candidates and national party committees in 1999-2000. The operation involved at least 72 partnership/companies and 75 individuals/employees in and around Florham Park, New Jersey.

The principal recipients were the Democratic National Committee (\$383,300); Committee For Working Families (\$140,000), a federal political action committee linked to Mayor Jim McGreevey of Woodbridge, NJ; Mayor Rudolph Giuliani (\$100,000, of which \$38,000 was returned); Hillary Clinton (\$79,250); Jon Corzine (\$72,000); Senator Robert Torricelli (\$57,000); and former Vice President Al Gore (\$51,000).

The employee relationship, timing and bundling of the donations has raised questions about who controlled the money and if the money was laundered by the use of "straw" donor names. In the case of the Committee for Working Families, eighteen donations (\$90,000) came in on the same day, May 2, 2000. In the case of Mayor Giuliani, thirty-three donations (\$63,000) came in on March 31, 1999, and thirty-five donations (\$35,000) came in on December 29, 1999. In the case of Hillary Clinton, sixty-eight donations (\$68,000) came in on June 29, 2000. In the case of Sen. Torricelli, eighteen donations (\$18,000) came in on January 22, 1999, and thirty-eight donations more (\$38,000) came in on February 19, 1999. In the case of Al Gore, thirty-three donations (\$33,000) came in on December 30, 1999, and twenty-five more (\$25,000) on February 10, 2000. In the case of Jon Corzine, thirty donations (\$30,000) came in on February 24, 2000, and eighteen more (\$18,000) on March 6, 2000, and twelve more (\$12,000) on March 31, 2000.

Individuals making the largest number of donations were: George Gellert (29 for \$60,250), Murray Kushner (25 for \$36,900), Charles Kushner (22 for \$38,000), Mrs. Rae Kushner (22 for \$26,000), Richard Stadtmauer (21 for \$30,000) Linda Laulicht (20 for \$37,000), and Dara Kuskner (15 for \$33,000).

Partnerships/companies listed as employer or as a donor of \$25,000 or more were Kushner Companies, Bruckner Plaza Associates, Elmwood V Associates, Long Brook Associates, Montgomery Associates, Mt Arlington Apartment Associates, Quail Ridge Associates, Riverside Park Industrial Associates, and Wallkill Apartment Associates.

There is a federal prohibition against giving in the name of another, and using corporate funds to reimburse employees for contributions to federal political campaigns.

Other political donations were brought into question last week when it was disclosed that nine real estate partnerships believed to be controlled by Kushner had donated \$35,000 to New York City mayoral candidate Alan Hevesi and \$25,000 to Mark Green. There is a New York City \$4,500 limit on contributions from persons or a group controlled by the same person.